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FOREST INDUSTRIES

LOGGING PULPWOOD FORESTRY LUMBER PANELS

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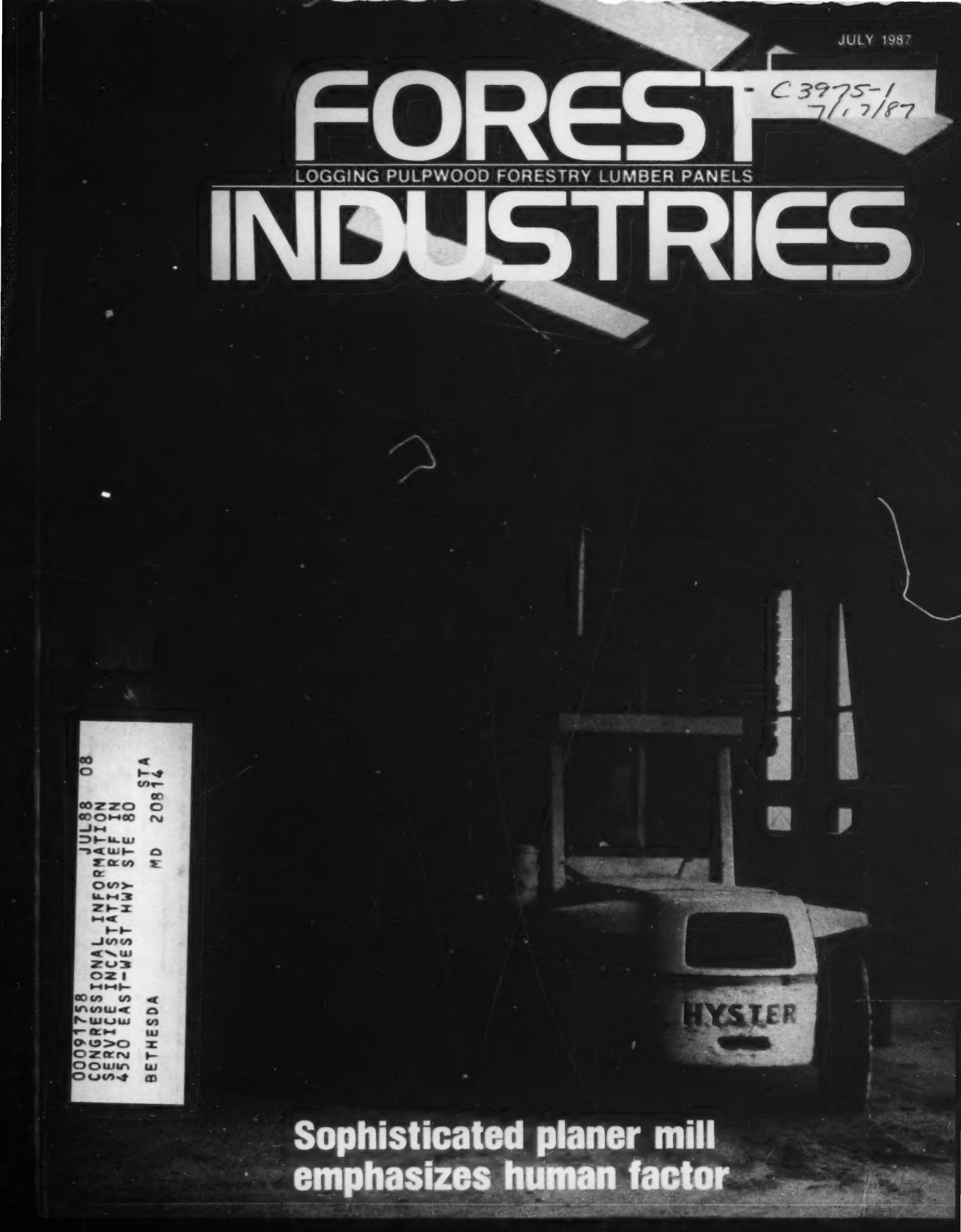
BETHESDA MD 20814



Sophisticated planer mill emphasizes human factor

1987 Volume 114 Number 7

JULY

Industry | Woods | Departments

12
North American lumber output hits new high
In 1986 U.S. lumber producers had a very good year, and Canadian producers had a better year than expected. Strong performance is forecast to continue in 1987

24
What's in a name? Hogs not particular about diet
Part 2 of an equipment review that began with chippers in our May issue compares specifications of 166 wood and bark hogs produced by 13 North American companies

Mills

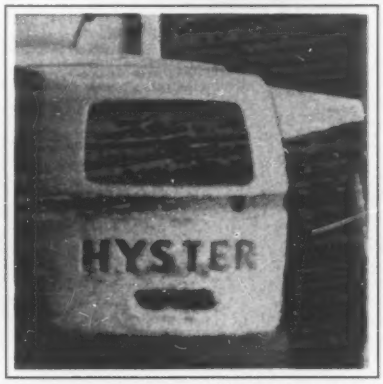
9
Sophisticated planer mill emphasizes human element
W. M. Sheppard Lumber Co., Brooklet, Ga., a relatively small narrow-dimension mill, finds ways to compete in the big company 'commodity' markets

28
New veneer plant geared to U.S. and export markets
Relocating closer to timber resource and markets has meant a notable improvement in Keystone Veneers Inc., a hardwood veneer operation in Williamsport, Pa.

15
Crew's 'logging muscle' is built on maintenance
There are no management secrets for Ervin Wilks, a 35-year logging veteran in Chester, S.C., just basics. With the help of two sons, he watches all aspects of the business very carefully

30
Loggers prefer high-lead to tractor-skidding jobs
With most of the area's low-elevation timber gone, logging has become strictly seasonal for Green Brothers Logging, a family crew in Parkdale, Ore.

32
A basic common carrier for the forest industry
FERIC has developed a prototype carrier which can lower transport costs. A modular machine, it can be extended to be a feller-buncher and delimber



Cover story, page 9

5
For the Record
37
Industry News
40
Books, Bulletins
41
Computing for Profit
42
Supplier News
43
Equipment
47
Newsmakers
48
Meetings

In 1986 U.S. lumber producers had a very good year, and Canadian producers had a better year than expected. Analysts predict the strong performance will continue

North American lumber output hits new high

San Francisco, California

If it's true that figures don't lie, then lumber manufacturers had very little to complain about in 1986. A look at last year's lumber production and consumption figures indicates that the North American lumber industry is firmly back on solid ground.

The year was marked by high U.S. and Canadian housing starts, record lumber demand, increased prices and strong offshore markets.

North American lumber production set new records. Combined U.S. and Canadian output in 1986 stood at 64.2 billion bd ft, a 6.6% increase over 1985's level of 60.2 billion bd ft.

Record year for the U.S.

Figures from the U.S. alone are even more impressive. According to the National Forest Products Assn. (NFPA), total U.S. lumber production in 1986 was 41.7 billion bd ft, up 11% from 1985's level of 37.4 billion bd ft (see Table 1). Softwood lumber production in the U.S. reached a record 34.7 billion bd ft, up nearly 11% from 1985. Nearly all softwood-producing regions reported record levels.

Hardwood production climbed to just under 7 billion bd ft, up 15% from 1985's level of 6 billion bd ft.

Lumber consumption hit new highs in 1986. Total consumption of 53.8 billion bd ft was up 7% from 1985's level of 50 billion bd ft.

Softwood consumption set a record for the third consecutive year. Softwood consumption of 46.8 billion bd ft was up nearly 6% from 1985's level of 44.2 billion bd ft. According to Western Wood Products Assn. president H. A. Roberts, increased residential construction, which used 37% of all softwood lumber in 1986, and expanding repair and remodeling activity, which accounted for 28% of consumption, were the reasons for increased softwood consumption.

And in the hardwood sector, consumption soared in 1986. Hardwood consumption reached 7 billion bd ft, a 20% jump from 1985's level of 5.8 billion bd ft. "Due to the generally strong U.S. economy, our hardwood market is better than it's been in years," noted S. C. "Bill" White, executive manager of the National Hardwood Lumber Assn. "Our mills simply can't keep up with demand."

Canada hit, but not badly

Meanwhile, the Canadian lumber industry also had a good year, despite setbacks from a prolonged strike by the International Woodworkers of America (IWA) and uncertainty during much of the year surrounding a possible tax on Canadian softwood lumber exports to the U.S. (On Dec. 30 the governments of Canada and the U.S. agreed on a 15% export tax to be levied by Canada. The action forestalled imposition of a countervailing duty by the U.S. government. For an update on the story, see p. 5.)

The 4½-month IWA strike by two-thirds of British Columbia's woodworkers lowered production levels at many mills, but it turned out to be less harmful than anticipated. According to the B.C. Council of Forest Industries, the dispute between the IWA and the forest products companies had surprisingly little impact on harvesting levels and lumber production.

Lumber production in British Columbia in 1986 was 13.3 billion bd ft (see Table 2). Even though it was down 5% from 1985's figure of 14 billion bd ft, it was the second highest total in the province's history.

Total Canadian production was 22.5 billion bd ft, down only 1% from 1985's record level of 22.8 billion bd ft.

Outlooks mostly positive

According to a study by Widman Management, Vancouver, B.C., production of Canadian lumber should dip in

TABLE 1—United States Lumber Production

	Softwood Lumber Production, By Regions						
Year	Southern Pine	Douglas Fir	Western Pine	California Redwood	Other	Total Softwood Production	Total Softwood Consumption
1977	8.879	8.796	10.309	2.000	1.753	31.737	40.809
1978	9.231	8.845	10.033	1.902	2.046	32.057	42.640
1979	9.283	8.427	9.780	1.818	2.124	31.432	40.608
1980	8.217	6.815	7.613	1.589	2.012	26.246	33.832
1981	8.415	6.270	7.147	1.452	1.392	24.676	32.064
1982	8.754	5.743	6.681	1.300	1.309	23.787	31.173
1983	10.181	7.934	8.488	1.580	1.543	29.726	39.742
1984	10.674	8.329	8.992	1.664	1.515	31.174	42.857
1985	10.730	8.062	9.276	1.730	1.523	31.321	44.243
1986	11.605	9.008	10.487	1.938	1.687	34.725	46.811

Figures in recent years subject to revision. Numbers may not add to totals due to rounding.

1987 before rebounding in 1988.

The report, "Canada's Forest Industry Market '87-90" (see FOREST INDUSTRIES March 1987, pp. 34-36), forecasts a drop in production to 21.4 billion bd ft in 1987, and then a climb to 22.2 billion bd ft in 1988 and 23.6 billion bd ft in 1990.

Although Widman forecasts net Canadian softwood lumber production levels to drop by only 600 million bd ft between 1986 and 1987 (from 22 billion to 21.4 billion bd ft), the impact of the Canadian export tax on softwood lumber will have the effect of taking approximately two billion bd ft off the market, the report predicts.

Canada shipped 14 billion bd ft of lumber to the U.S. in 1986. Canadian imports accounted for 30% of U.S. consumption in 1986, down from 32.8% in 1985.

In the United States, analysts are forecasting another good year for the timber industry in 1987. Although some economists are concerned that homebuilding activity may be inhibited by rising mortgage interest rates, most projections are for only a slight drop from last year's 1.8 million housing starts.

The National Assn. of Homebuilders' most recent forecast is for 1.6 million starts in 1987; the Western Wood Products Assn. predicts 1.75 million units.

Increased exports also are contributing to U.S. wood products industry optimism. Softwood lumber exports increased from 1.5 billion bd ft in 1985 to 1.86 billion bd ft in 1986, a rise of 24%. Increases were registered in 16 of the top 20 U.S. markets for softwood lumber.

Hardwood lumber exports were way up, climbing 34% from 373 million bd ft in 1985 to 498 million bd ft in 1986.

Offshore markets for both hardwood and softwood lumber are expected to stay strong throughout 1987.

TABLE 2—Canadian Lumber Production Softwood and Hardwood, 1977-1986 (billion bd ft)

Year	B.C. Coast	B.C. Interior	Total B.C.	East of Rockies	Total Canada
1977	4.499	7.539	12.038	5.629	17.667
1978	4.803	7.742	12.545	6.432	18.977
1979	4.657	7.861	12.518	6.480	18.998
1980	4.252	7.727	11.980	6.923	18.903
1981	3.456	6.966	10.424	6.473	16.897
1982	3.170	6.939	10.109	5.887	15.996
1983	4.140	8.903	13.043	7.328	20.371
1984	3.903	9.175	13.078	8.056	21.134
1985	3.996	10.007	14.003	8.822	22.825
1986	3.753	9.582	13.335	9.211	22.546

Source: Statistics Canada

FI's annual survey

Gathering production figures from the leading lumber producers in the U.S. and Canada is an annual event for the FOREST INDUSTRIES editorial staff. This year, for the first time, the survey was conducted in cooperation with the National Forest Products Assn. (NFPA).

Our first questionnaire was sent in March to more than 1500 lumber producers in the U.S. and Canada; a second questionnaire was sent a few weeks later to non-respondents. For big producers (defined as companies producing 10 million bd ft or more annually) that did not answer either mailing, staff from FI and NFPA made phone calls to gather the data.

To date we have gathered production figures from over 650 companies. Space does not allow us to publish all the data here. A complete listing will be included in the *1987-88 North American Factbook*, a new reference book published by FOREST INDUSTRIES. The book goes to press later this month and will be available in August. (For details, see p. 6.)

Top 20 producers

Table 3 shows the top 20 North American lumber producers. Eleven are from the U.S., nine are from Canada.

The top 20 producers manufactured 19.6 billion bd ft of lumber in 1986, or 31% of North American production.

In the U.S., the leading 11 producers manufactured 12.5 billion bd ft, or 30% of total U.S. lumber production. That figure includes 12.1 billion bd ft of softwood, 35% of the nation's total, and 382 million bd ft of hardwood, or 5.5% of the total.

In Canada, the top nine producers manufactured 7 billion bd ft of lumber in 1986, accounting for 31% of Canada's total production.

Notes on the leaders

There are no surprises in this year's top 10. What is worth noting, however, is that the long-time number one producer, Weyerhaeuser Co., no longer leads by such a wide margin. As recently as 1984, Louisiana-Pacific trailed Weyerhaeuser by nearly a billion bd ft. But in 1986 Weyerhaeuser produced

and Consumption, 1977-1986 (billion bd ft)

Hardwood Lumber Production, By Regions			Total Hardwood Production	Total Hardwood Consumption	Total Lumber Production	Total Lumber Consumption
Southern	Appalachian	Other				
3.073	1.211	2.417	6.701	6.890	38.438	47.699
3.258	1.233	2.540	7.031	6.997	39.088	49.637
3.462	1.263	2.589	7.314	6.939	38.746	47.547
3.341	1.221	2.553	7.115	6.272	33.381	40.104
3.374	1.237	1.641	6.252	5.855	30.928	37.919
2.061	0.602	2.398	5.062	5.098	28.849	36.270
2.245	0.785	2.614	5.644	5.397	35.370	45.138
2.642	0.985	2.635	6.262	5.836	37.436	48.693
2.628	0.904	2.500	6.031	5.834	37.352	50.077
2.664	1.408	2.883	6.955	7.013	41.680	53.824

Source: National Forest Products Assn.

TABLE 3—Top 20 lumber producers, U.S. and Canada

(All lumber production figures given in 1000 bd ft)
(Companies ranked according to data received by FOREST INDUSTRIES and NFPA)

Company, headquarters, & number of mills in 1986	Rank in 1985	'86 Hardwood	'86 Softwood	'86 Total	'85 Total
1. Weyerhaeuser Co. (31 mills) Tacoma, Wash.	1	141,000	2,412,000	2,553,000	2,609,000
2. Louisiana-Pacific Corp. (58) Portland, Ore.	2	22,000	2,507,000	2,529,000	1,997,000
3. Georgia-Pacific Corp. (37) Atlanta, Ga.	3	179,139	1,604,535	1,783,674	1,884,000
4. West Fraser Mills Ltd. (6) Quesnel, B.C.	6	0	1,086,688	1,086,688	1,047,892
5. Canadian Forest Products Ltd. (13) Vancouver, B.C.	4	0	1,046,600	1,046,600	1,301,600
6. Champion International Corp. (14) Stamford, Conn.	8	0	1,028,378	1,028,378	941,270
7. International Paper Co. (12) Dallas, Texas	11	0	999,065	999,065	883,817
8. British Columbia Forest Products Ltd. (9) Vancouver, B.C.	5	0	980,858	980,858	1,197,990
9. Weldwood of Canada Ltd. (7) Vancouver, B.C.	9	0	868,000	868,000	912,000
10. Boise Cascade Corp. (18) Boise, Idaho	10	23,000	821,000	844,000	806,000
11. MacMillan Bloedel Ltd. (9) Vancouver, B.C.	7	0	830,000	830,000	950,000
12. Sierra Pacific Industries (8) Redding, Calif.	13	0	722,148	722,148	626,286
13. Westar Timber Ltd. (5) Vancouver, B.C.	12	0	639,820	639,820	660,796
14. Whonnock Industries Ltd. (7) Vancouver, B.C.	16	0	600,000	600,000	510,000
15. WTD Industries Inc. (9) Portland, Ore.	31	17,155	532,015	549,170	329,213
16. Balfour Forest Products Inc. (5) Prince George, B.C.	18	0	528,000	528,000	490,000
17. Doman Industries Ltd. (5) Duncan, B.C.	19	0	527,000	527,000	476,000
18. Roseburg Forest Products Co. (3) Roseburg, Ore.	22	0	520,000	520,000	450,000
19. Simpson Timber Co. (6) Shelton, Wash.	17	0	510,000	510,000	498,625
20. RSG Forest Products Inc. (4) Kalama, Wash.	35	0	474,637	474,637	304,631

only 24 million bd ft more than Louisiana-Pacific. And L-P's December 1986 acquisition of Kirby Forest Industries Inc. means that L-P has increased its lumber capacity by more than 100 million bd ft.

Production figures from number four producer, West Fraser Mills Ltd., include the company's wholly owned mills as well as two mills which are owned by Eurocan Pulp and Paper Co. Eurocan is a joint venture of West Fraser and Enso Forest Products Ltd.

Champion International Corp. figures do not include production of Weldwood of Canada Ltd., in which Champion holds a 72% interest. However, figures from Weldwood (number nine on our list) include production from its five wholly owned mills, plus two joint ventures (Babine Forest Products Co. and Houston Forest Products Co.).

International Paper Co., number seven this year, includes in its production nearly 200 million bd ft from Hammermill Paper Co.'s two softwood lumber mills. Hammermill was purchased by IP in mid-1986. At the time of the purchase Hammermill had seven hardwood mills and two softwood mills. Six of its hardwood mills have since been sold.

This year there are two new entries to the top 20 producers: WTD Industries, of Portland, Ore., and RSG Forest Products Inc., of Kalama, Wash. The two companies are among the fastest growing lumber producers in North America.

WTD was ranked 73rd in our 1983 Annual Lumber Review, 55th in 1984, 31st in 1985 and now 15th in 1986. A string of purchases in 1987 (including some announced just this month—see p. 7) indicates the company intends to keep climbing up the list.

RSG Forest Products Inc. jumped from 35th place in our 1985 survey to number 20 in this year's listing. The company was ranked 39th in 1983 and 37th in 1984. RSG also is expected to continue to climb the list; it acquired four Smurfit Newsprint (formerly Publishers Paper) sawmills at Molalla and Oregon City, Ore., in late 1986.

Roseburg Forest Products Co., Roseburg, Ore., reentered the top 20 producers in 1986. Roseburg was ranked 19th in 1983, 21st in 1984, 22nd in '85 and 18th in 1986. The company also has grown recently. Late in 1986 it acquired the Paul Bunyan Lumber Co. sawmill in Anderson, Calif., which adds 45 million bd ft of capacity to Roseburg. ■